

P-407/CP-93-256 ORDER ADOPTING EAS RATE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service From Kabetogama to International
Falls

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DOCKET NO. P-407/CP-93-256

ORDER ADOPTING EAS RATE
ADDITIVES FOR THE PETITIONING
EXCHANGE AND THE PETITIONED
LOCAL CALLING AREA

PROCEDURAL HISTORY

On April 5, 1993, customers in the Kabetogama exchange filed a petition for extended area service (EAS) to International Falls. Both exchanges are served by GTE Minnesota, Inc. (GTE).

On August 27, 1993, the Commission issued its ORDER FINDING ADJACENCY AND REQUIRING FURTHER FILINGS. In that Order, the Commission determined that the proposed route should be Kabetogama to the local calling area (LCA) of International Falls/Ericksburg and found that the petition met the statutory adjacency requirement.

On March 25, 1994, the Commission issued its ORDER ADOPTING STIMULATION FACTOR AND REQUIRING COST STUDIES AND PROPOSED RATES. In that Order, the Commission established the stimulation factor for this and other routes in the non Twin Cities metropolitan calling area to be 3.

On April 25, 1994, GTE submitted its cost studies and proposed rates.

On May 25, 1994, the Minnesota Department of Public Service (the Department) submitted its comments.

On June 28, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Rates for Kabetogama, the Petitioning Exchange

For non-Twin Cities metropolitan EAS petitions, the Commission must assign between 50 and 75 percent of the revenue requirement to the petitioning exchange. The Department recommended that the Commission assign 75 percent to Kabetogama because the petitioned area is not allowed to vote, while Kabetogama customers will be polled.

The Commission has never recognized this argument as justification for assigning the maximum cost level (75 percent) to the petitioning exchange. It is always the case that subscribers in the petitioning exchange vote and those in the petitioned area do not. If the legislature had intended this characteristic to be determinative, it would not have given the Commission discretion to vary the petitioning exchange's assessment between 75 and 50 percent. It appears plain to the Commission that the legislature intended it to look to equity factors in addition to voting in making its determination. In addition, the legislation does not adopt a "normal" or presumed allocation such as the 75 percent figure proposed by the Department, which may only be departed from upon overcoming that presumption.

The Commission is not inclined to assess the LCA with the maximum costs under the statute (50 percent). For one thing, International Falls, presumably the major target of this EAS petition, is completely separated from Kabetogama by the Ericsburg community. In addition, International Falls has expressed no interest in securing EAS to Kabetogama. It appears, therefore, that Kabetogama subscribers perceive and may well receive a much greater benefit from the proposed EAS than do International Falls subscribers. In these circumstances, the Commission will not require International Falls to split the costs with Kabetogama almost equally.¹

At the same time, the Commission is impressed by the wide disparity in size between the petitioning exchange (Kabetogama has 262 access lines) and the petitioned LCA (the International Falls/Ericsburg LCA has 4,726 access lines). As a result of this size disparity, major changes in the rate required of Kabetogama subscribers can be achieved through a relatively minor increase or decrease in the rates paid by the much broader based petitioned International Falls/Ericsburg LCA.

Accordingly, considering the interests of all parties as required by Minn. Stat. § 237.161, subd. 3 (b) (1992), the Commission will assess Kabetogama 60 percent of the costs of the proposed EAS and adopt monthly rate additives for it designed to recover that amount. Such rate additives are: \$12.80 per residential access line and \$25.60 per business access line.

Rates in the Petitioned International Falls/Ericsburg LCA

The EAS costs not recovered from the subscribers in the petitioning exchange must be recovered in rates paid by subscribers in the petitioned area. In this case, 40 percent of those cost must be recovered from subscribers in the International Falls/Ericsburg LCA.

The Commission has considered various methods in the past for apportioning revenue requirement to the exchanges of the petitioned local calling area. In the outstate area, the Commission considers assignment of the revenue requirement according to the specifics of the

¹ Ericsburg would be sharing some of the costs assigned to the petitioned LCA, but due to its size, will relieve International Falls' burden only slightly.

route. There are three methods of allocation the Commission typically considers:

Stand alone: The stand alone allocation treats each exchange as if it were the only petitioned exchange in the EAS route. The rate for the petitioning exchange to the local calling area is the sum of the rates from the petitioning exchange to each exchange in the petitioned local calling area.

Relative traffic: This allocation assigns revenue requirement on the basis of traffic. The more originating minutes of use (MOUs) from the petitioned exchange to the petitioning exchange, the greater the revenue requirement assigned.

Number of access lines: This method splits the revenue requirement between the exchanges on the basis of the number of lines in the petitioned area.

In this case, the Commission finds, in large part based on the size disparity between International Falls (4,597 access lines) and Ericsburg (129 access lines) to split the costs based on the total number of lines in the petitioned area.

Under this method, subscribers in each exchange would experience the same increase in monthly rates if the EAS petition is approved and EAS is installed: \$.45 per residential access line and \$.90 per business access line.

ORDER

1. The Commission hereby adopts EAS rate additives for the petitioning Kabetogama exchange designed to recover 60 percent of the costs of the proposed EAS. Those rates are: \$12.80 for each residential access line and \$25.60 for each business access line.
2. The Commission hereby adopts EAS rate additives for the exchanges comprising the petitioned International Falls/Ericksburg LCA as follows: \$.45 per residential access line and \$.90 per business access line.

3. GTE shall cooperate fully with Commission staff and Commission contractor to expedite the polling of Kabetogama customers. As part of this cooperation, GTE shall provide Commission staff and Commission contractor upon request with accurate customer lists for the Kabetogama exchange and associated information in a timely manner.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)